RT25-2016

THE APPOINTMENT OF SERVICE PROVIDERS FOR AN INTEGRATED FINANCIAL MANAGEMENT AND INTERNAL CONTROL SYSTEM FOR LOCAL GOVERNMENT

PERIOD: 01 JUNE 2016 - 31 MAY 2019

BID CLOSING DATE: 18 APRIL 2016

VALIDITY PERIOD 120 DAYS

Presented by National Treasury – 16 March 2016

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Local Government Financial Management Reform Agenda

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Local Government's Constitutional service delivery responsibilities include…

Objectives of local government

- **Section 152 of the Constitution**
  - to provide democratic and accountable government for local communities
  - to ensure the provision of services to communities in a sustainable manner
  - to promote social and economic development
  - to promote a safe and healthy environment
  - to encourage the involvement of communities and community organisations in the matters of local government

Developmental duties of municipalities

- **Section 153 of the Constitution**
- A municipality must -
  - Structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community, and
  - Participate in national and provincial development programs

Priority functions of municipalities

Water (potable)	Cemeteries	Storm water
Electricity reticulation	Fire fighting	Traffic and parking
Sanitation	Municipal health services	Building regulations
Refuse removal	Municipal planning	Municipal public transport
	Municipal roads	

Legal Framework - Constitutional Requirements

Section 216(1) of the Constitution states that:

national legislation must establish a national treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing -

(a) Generally recognised accounting practice

(GRAP – OAG)

(b) Uniform expenditure classifications; and

(Standard Chart of Accounts / General Leger)

(c) Uniform treasury norms and standards

(PFMA, MFMA, DoRA, Regulations, Circulars and Guidelines)

Legal Framework - MFMA Requirements

Section 168 (1) of the MFMA provides that:

The Minister (of Finance), acting with the concurrence of the Cabinet member responsible for local government, may make regulations for, among other things –

(a) any matter that may be prescribed …and…

(p) any other matter that may facilitate the enforcement and administration of the Act.

Elements of financial management

Municipal financial management involves:

- having and implementing appropriate budget related and financial management policies;
- establishing prescribed structures: Budget- and Treasury Office (BTO), SCM committees, internal audit;
- **keeping full and proper financial records;**
- **processes that will ensure sound budgeting, cash-flow management, financial reporting and asset management;**
- **managing resources effectively, efficiently, and economically;**
- disciplinary or criminal proceedings in the case of financial misconduct.

Legislative framework that enable financial management

(Own bolding for emphasis only)

Municipal Systems Act, 2000

"Adoption of integrated development plans

25. (1) Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which:

(a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;

(b) aligns the resources and capacity of the municipality with the implementation of the plan;

(c) forms the policy framework and general **basis on which annual budgets must be based**;"

MFMA, 2003

"Budget preparation process

21. (1) The mayor of a municipality must – (a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled **budget and** any revisions of the **integrated development plan** and budget-related policies **are mutually consistent and credible;"**

Legislative framework that enable financial management

(Own bolding for emphasis only)

Municipal Regulations on a Standard Chart of Accounts, 2014

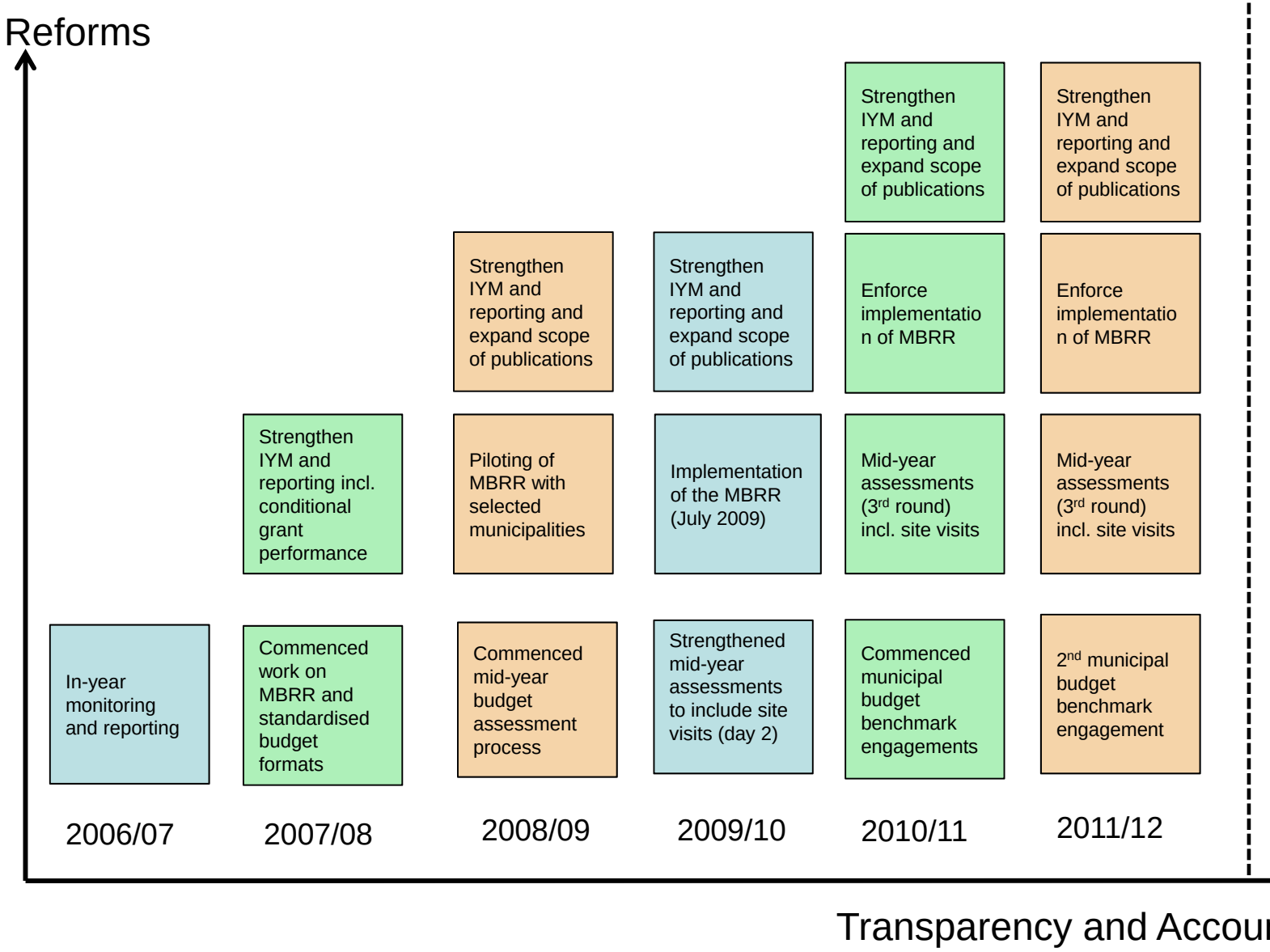
"Object of these Regulations

2. The object of these Regulations is to ***provide for*** a national standard for ***the uniform recording and classification of*** **municipal budget and financial information at a transaction level** by prescribing a standard chart of accounts for municipalities and municipal entities which-

(a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard charts of accounts for national and provincial government; and

(b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere."

Key focus areas of the municipal budget reform process (high level initiatives only)



Work-in-progress

- **Standard Chart of Accounts (Gazette 22 April 2014 for full implementation 1 July 2017)**
- Revenue Management and Enhancement Programme
- Tariff Setting and Costing
- Financial Systems
- Budget reform (further)

*m*SCOA Project Phases: *The journey to succeed…*

Kick off engagements with municipalities, vendors and other stakeholders

2010

2011

Vendors briefed on the development of mSCOA and initial evaluations of system functionality.

2014

mSCOA Regulation issued and commissioning of Project Phase 4: Change management and piloting (including ID of pilots)

Pilot mSCOA in 27 municipalities across 9 system vendors. Gearing all non-delegated municipalities for implementation: 1 July 2016

2015

Creating an enabling environment for all non-pilot municipalities to transact in mSCOA by 1 July 2017 (comply). *Transversal tender issued 4 March 2016*

2016

Ensuring that pilot municipalities and system functionality align to *m*SCOA requirements create an enabling environment for implementation to non-piloting municipalities

2017

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Minimum *m*SCOA compliance…

Business Processes and System Requirements

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

*m*SCOA Regulation – *Chapter 1*

Object of these Regulations

2. The object of these Regulations is to provide for a **national standard for the uniform recording and classification of municipal budget and financial information at a transaction level** by prescribing a standard chart of accounts for municipalities and municipal entities which—

(a) is **aligned** to the **budget formats and accounting standards** prescribed for municipalities and municipal entities **and** with the **standard charts of accounts** for **national and provincial government**; and

(b) enables **uniform information sets** recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

Application of these Regulations

3. These Regulations apply to **all municipalities and municipal entities**.

*m*SCOA Regulation – *Chapter 2*

STANDARD CHART OF ACCOUNTS FOR MUNICIPALITIES AND MUNICIPAL ENTITIES - Implementation requirements

(2) The **financial and business applications or systems** used by a municipality or municipal entity must—

(a) provide for the **hosting of the general ledger** structured in accordance with the **classification framework** determined in terms of regulation 4(2);

(b) be capable of **accommodating and operating the standard chart of accounts**;

(c) provide a **portal allowing for free access**, for information purposes, to the general ledger of the municipality or municipal entity, by any person authorised by the Director-General or the Accounting officer of the municipality.

(3) Each municipality and municipal entity must have, or have access to, **computer hardware with sufficient capacity to run the software** which complies with the requirements in sub-regulation (2).

*m*SCOA Regulation – *Chapter 3*

CHAPTER 3 - MINIMUM BUSINESS PROCESS AND SYSTEM REQUIREMENTS

Minimum business process requirements

6. (1) The **Minister may**, by notice in the Gazette, **determine minimum business process requirements** for municipalities and municipal entities to enable implementation of regulations 4 and 5.

(2) Each municipality and municipal entity **must implement** the minimum business process requirements by the date determined in the notice referred to in sub-regulation (1).

Minimum system requirements

7.(1) The **Minister may**, by notice in the Gazette, **determine the minimum system requirements** for municipalities and municipal entities to enable implementation of regulations 4 and 5.

(2) Each municipality and municipal entity **must implement** the minimum system requirements by the date determined in the notice referred to in sub-regulation 1.

The SCOA Regulation – *Chapter 6*

CHAPTER 6 – GENERAL: Access by National Treasury

14.(1) All municipalities and municipal entities must ensure that—

(a) the business and financial applications used by them **incorporate a portal allowing** for free **access to their general ledgers** for information purposes to any person authorised by the Director-General ; and

(b) such access is provided.

(2) The accounting officer of a municipality and a municipal entity must **ensure** that its system providers cooperate with the National Treasury to implement the necessary **programme amendments** to provide the standard of access required by the National Treasury.

(3) The **National Treasury may use any of the information** to which it has access in terms of this regulation for the purposes of—

(a) preparing national accounts for the whole of government;

(b) development of consolidated accounts for the local government sphere;

(c) verifying the correctness of municipal financial and business information;

(d) assessment of municipal financial performance and benchmarking; and

(e) fulfilling any obligations in terms of legislation.

Minimum *m*SCOA compliance

The uniform recording and classification of **municipal budget and financial information at a transaction** level by municipalities and municipal entities:

Hardware, and related Infrastructure
Access to hardware that are sufficient to run the software application to support the mSCOA Segments

Financial and Business Applications or Systems must:
1) Host the General Ledger structure across the 7 segments
2) Accommodate and transact across 7 segments
3) Portal / Report extraction based on budget and transactional data across the 6 mandatory segments

At a Minimum must:
1) Accurately record all transactions against the 7 segments
2) Contain the 7 segments as per the Regulations
3) Reflect the actual transactional string

No mapping or extrapolation

Minimum *m*SCOA compliance (2)

Financial system(s) and associated system applications (for example Human Resource Management, Assets, Billing, SCM, etc. must be able to:

- *provide for the uniform recording and classification of*
- ***municipal budget and financial information at a transaction level***
- *in the prescribed municipal standard chart of accounts,*
- *for both municipalities and municipal entities.*

This means that:

Minimum *m*SCOA compliance (3)

Financial and Business Applications/ Systems (as a minimum) must :

a) Provide for hosting the *m*SCOA structure as represented by the 7 Segments and associated detail;

b) Be able to accommodate and operate the classification segments across all six (6) of the mandatory segments at a transactional level;

c) Extract and load the segmented transactional string directly to the National Treasury local government Database (LG Database);

d) Reflect all six (6) the mandatory *m*SCOA segments at a transactional level, without any mapping or extrapolation or any other manual intervention/ interpretation; and

e) Have access to hardware that is sufficient to run the required software solution.

Accountability for *m*SCOA

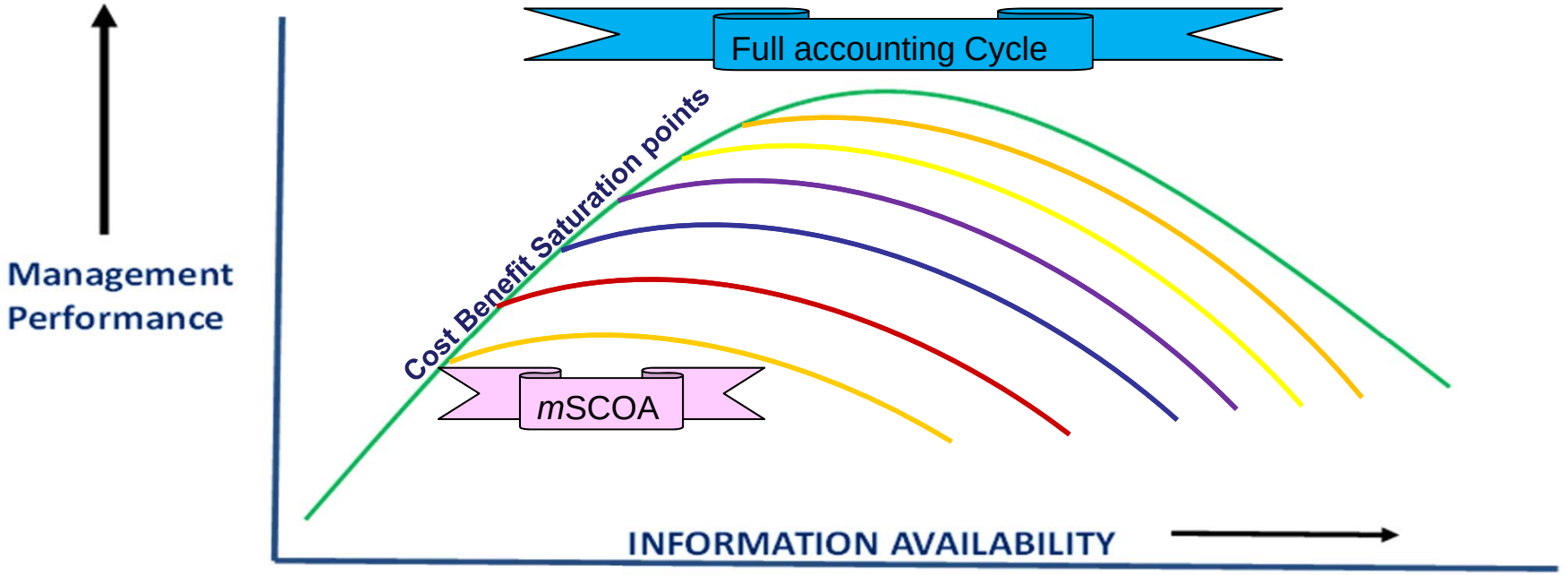
- The municipality and municipal entity remains ultimately responsible and accountable to implement *m*SCOA across its organisation and system(s).
- The ordinary regulatory oversight bodies (e.g. the Auditor General, National Treasury, DCoG, SARS, DWA, NERSA, LG Database, etc.) will review the municipality's and municipal entity's embrace of *m*SCOA as part of their normal oversight and monitoring activities.
- **National Treasury review technical *m*SCOA compliance through the submission of budget and transactional data to the LG Database Portal across the regulated six segments for all reporting periods.**

Annexure A:

Pricing Schedule

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Management performance and the availability of information



- Category A – Metros
- Category B1 – Secondary cities
- Category B2 – Large towns
- Category B3 – Small towns
- Category B4 – Mostly rural
- Category C1 – Districts without billing
- Category C – Districts with billing

The cost benefit associated with information is factored into the transversal pricing schedules.

This means the minimum mSCOA requirements vary according to the category of municipality.

NB! Proposals to respond *only to the categories* that the *service provider serves*.

Pricing Schedule - Logic

Modules required to be available separately

Requirement for Municipal Category. Indication relates to the system functionality and not the legislative requirements. *Required / Optional*	national treasury. Department: National Treasury. REPUBLIC OF SOUTH AFRICA. CATEGORY B4 onsite			Indicate if available in Core, 3rd Party or Not Available		
B4	Function Group	Classification modules		*In-house*	*3rd party*	*Not available*
		Ancillary Costs				
R		Hardware requirement				
R		Operating System				
R		Database				
R		Security Software				
R		Hosting Fee				
R		DRP				
		Breakdown of system offering:				
	A	**Chart of Accounts**				
R	a1	General Ledger - containing mSCOA as per regulation				
	B	**IDP / Budget**				
R	b1	Integrated development plan (IDP) maintenance				
R	b2	Budget module – Directly linked and informed from the IDP and Project driven and mSCOA segmented				
O	b3	Performance Management linked to SDBIP				
O	b4	Project management (PMU) functionality				
O	b5	Revenue sub-system budgeting tool				
O	b6	Asset sub-system budgeting tool				
R	b7	HR/Payroll budgeting tool				

The minimum required functionality (module requirements) differs depending on the Category of the municipality.

Optional modules have been removed in the tender schedule on the right.

Modules required to be available separately

Requirement for Municipal Category. Indication relates to the system functionality and not the legislative requirements. *Required / Optional*	national treasury. Department: National Treasury. REPUBLIC OF SOUTH AFRICA. CATEGORY B4 onsite			Indicate if available in Core, 3rd Party or Not Available		
B4	Function Group	Classification modules		*In-house*	*3rd party*	*Not available*
		Ancillary Costs				
R		Hardware requirement				
R		Operating System				
R		Database				
R		Security Software				
R		Hosting Fee				
R		DRP				
		Breakdown of system offering:				
	A	**Chart of Accounts**				
R	a1	General Ledger - containing mSCOA as per regulation				
	B	**IDP / Budget**				
R	b1	Integrated development plan (IDP) maintenance				
R	b2	Budget module – Directly linked and informed from the IDP and Project driven and mSCOA segmented				
R	b7	HR/Payroll budgeting tool				

A bidder should consider for what category(s) of municipalities its service offering is designed for.

Proposals should only respond to:

(i) The category(s) of municipalities relevant to the service provider;

***(ii) The minimum required modules for each Category*; and**

(iii) Only price the relevant modules of the pricing schedule that apply to the category(s) of municipalities you serve.

Pricing schedule – Assumptions (1)

Cat	Expenditure users		Billing users		Payroll users		HR users		Number of employees	Number of debtors
	Hi user	Low user	Hi user	Low user	Hi user	Low user	Hi user	Low user		
A	Metro's									
	70	30	120	20	15	5	50	10	15,000	800,000
B1	Secondary Cities									
	50	20	70	5	10	1	20	2	2,000	100,000
B2	Large Towns									
	20	2	30	3	10	1	20	2	800	70,000
B3	Small Towns									
	15	1	25	1	5	1	10	2	320	30,000
B4	Mostly Rural									
	10	0	10	0	2	0	5	0	250	10,000
C1	Districts without billing									
	20	2	0	0	2	0	5	1	250	0
C2	Districts with billing									
	20	5	20	5	4	1	10	1	700	5,000

NB: It is assumed that the category of municipality is based on the quantities as stipulated above:

- Hi-end users are daily capturers and intensive using of the system.
- Low-end users are generally authorisers, accessing one or two functions.

Pricing Schedule – Assumptions (2)

When preparing your proposal, (for pricing purposes) assume that –

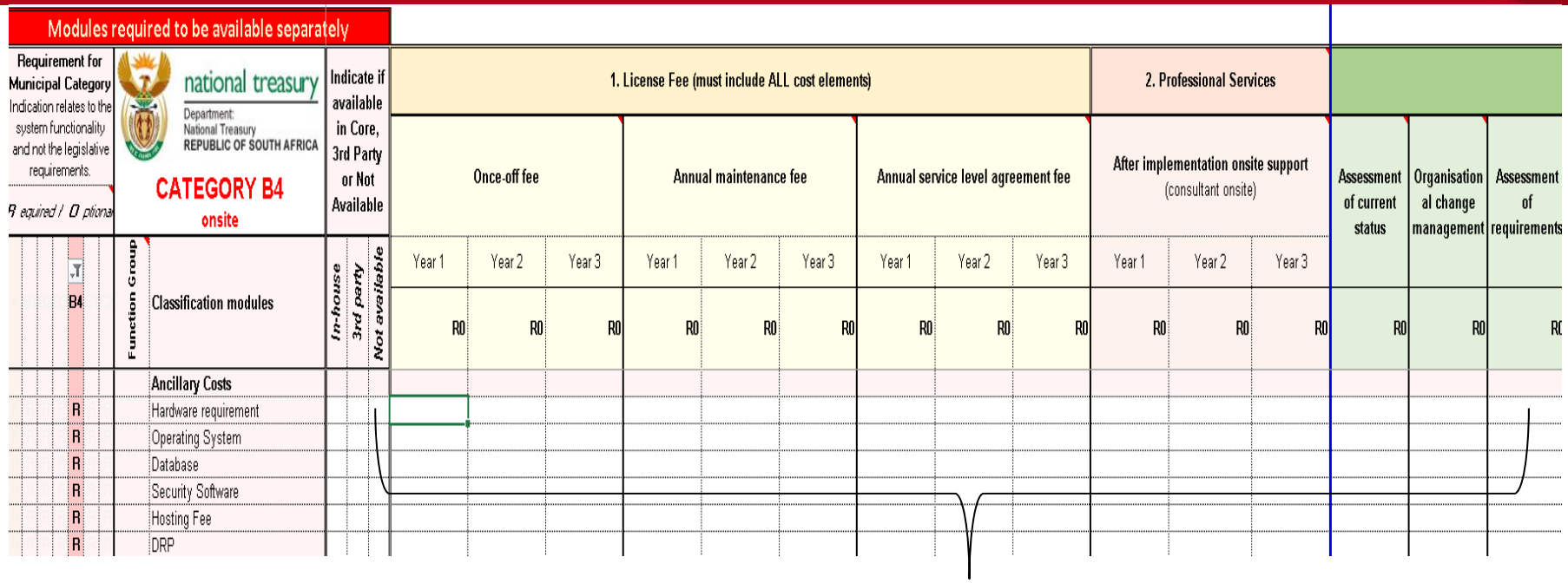
- The data provided for implementation will be of good quality and usable;
- All critical positions in the municipality are filled;
- The municipality is locally based – no travel expenses required;
- Hand-holding period will commence from "go-live" for 6 weeks. To ensure successful 1st billing, general ledger month-end, submission of data extracts and reporting to NT;
- The quantity of *high-end* and *low-end users* per category are exactly as set-out in the pricing schedule assumptions.

Pricing Schedule – Assumptions (3)

When preparing your proposal, (for pricing purposes) assume that –

- Air travel reimbursed at economy class rate;
- Road travel (own vehicle) – reimbursed at Automobile Association tariffs;
- Road travel (hire) – reimbursed at group B rate; and
- Accommodation – only reimbursed for 3 star hotel/ guest house.
- **The service level agreement with the municipality will address any variances of these assumptions.**
- ***Variances from these assumptions must be measurable against your tendered price and timelines.***

Pricing – minimum requirements (1)



Modules required to be available separately																				
Requirement for Municipal Category Indication relates to the system functionality and not the legislative requirements. R equired / O ptiona	national treasury Department: National Treasury REPUBLIC OF SOUTH AFRICA CATEGORY B4 onsite		Indicate if available in Core, 3rd Party or Not Available			1. License Fee (must include ALL cost elements)									2. Professional Services					
						Once-off fee			Annual maintenance fee			Annual service level agreement fee			After implementation onsite support (consultant onsite)			Assessment of current status	Organisational change management	Assessment of requirements
	Function Group	Classification modules	In-house	3rd party	Not available	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3			
	B4					R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0	R0
		Ancillary Costs																		
R		Hardware requirement																		
R		Operating System																		
R		Database																		
R		Security Software																		
R		Hosting Fee																		
R		DRP																		

Pricing Structure:

- Bid prices must be completed *in the fields provided* on the pricing schedules ***supplied with the bid.***
- Price structures submitted otherwise may invalidate the bid.

Pricing – minimum requirements (2)

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CATEGORY A
onsite

Function Group	Classification modules
	Ancillary Costs
	Hardware requirement
	Operating System
	Database
	Security Software

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CATEGORY B4
onsite

Function Group	Classification modules
	Ancillary Costs
	Hardware requirement
	Operating System
	Database
	Security Software
	Hosting Fee

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CATEGORY C2
onsite

Function Group	Classification modules
	Ancillary Costs
	Hardware requirement
	Operating System
	Database
	Security Software
	Hosting Fee

Complete the **specific, separate pricing schedule** for **each of the Categories** of municipalities the service provider serves.

Pricing – minimum requirements (3)

Requirement for Municipal Category Indication relates to the system functionality and not the legislative *Required / Optional*		national treasury Department: National Treasury REPUBLIC OF SOUTH AFRICA CATEGORY C1 onsite		Indicate if available in Core, 3rd Party or Not Available			1. License Fee (must include ALL cost elements)								
							Once-off fee			Annual maintenance fee			Annual service level agreement fee		
	C1	Function Group	Classification modules	*In-house*	*3rd party*	*Not available*	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
							R0	R0	R0	R0	R0	R0	R0	R0	R0
		A	**Chart of Accounts**												
	R	a1	General Ledger - containing mSCOA as per regulation												
		B	**IDP / Budget**												
	R	b1	Integrated development plan (IDP) maintenance												

- Each of the system components modules must be priced separately in the pricing schedule.

Pricing – minimum requirements (4)

- Bid to indicate the time in weeks it will take to implement the system in each of the categories of municipality the service provider serves.
  - *Base time estimates on bid assumptions e.g. data is in an acceptable format, all critical positions are filled, etc.*

- Include the hardware that is required to successfully operate the system in the pricing schedule provided. Provide the full details of specific hardware requirements.

- The pricing schedule must include the hourly rates for resources that will be charged out after implementation of the system.

Pricing – minimum requirements (5)

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CATEGORY C1

onsite

Function Group	Classification modules	In-house	3rd party	Not available
	Ancillary Costs			
	Hardware requirement			

Indi te if ava able in ore, 3rd arty or lot Ava able

Sub-Contracting

Bidders may make use of sub-contractors for delivery, installation, implementation and /or maintenance.

The contract will be awarded to the bidder as the primary contractor who will be responsible for the management of the 3rd party contract.

The State will not enter into any separate contracts with such sub-contractors with regard to this transversal contract.

"minimum system requirements" means those specifications for an integrated software solution, incorporating an enterprise resource management system determined in terms of Regulation 7

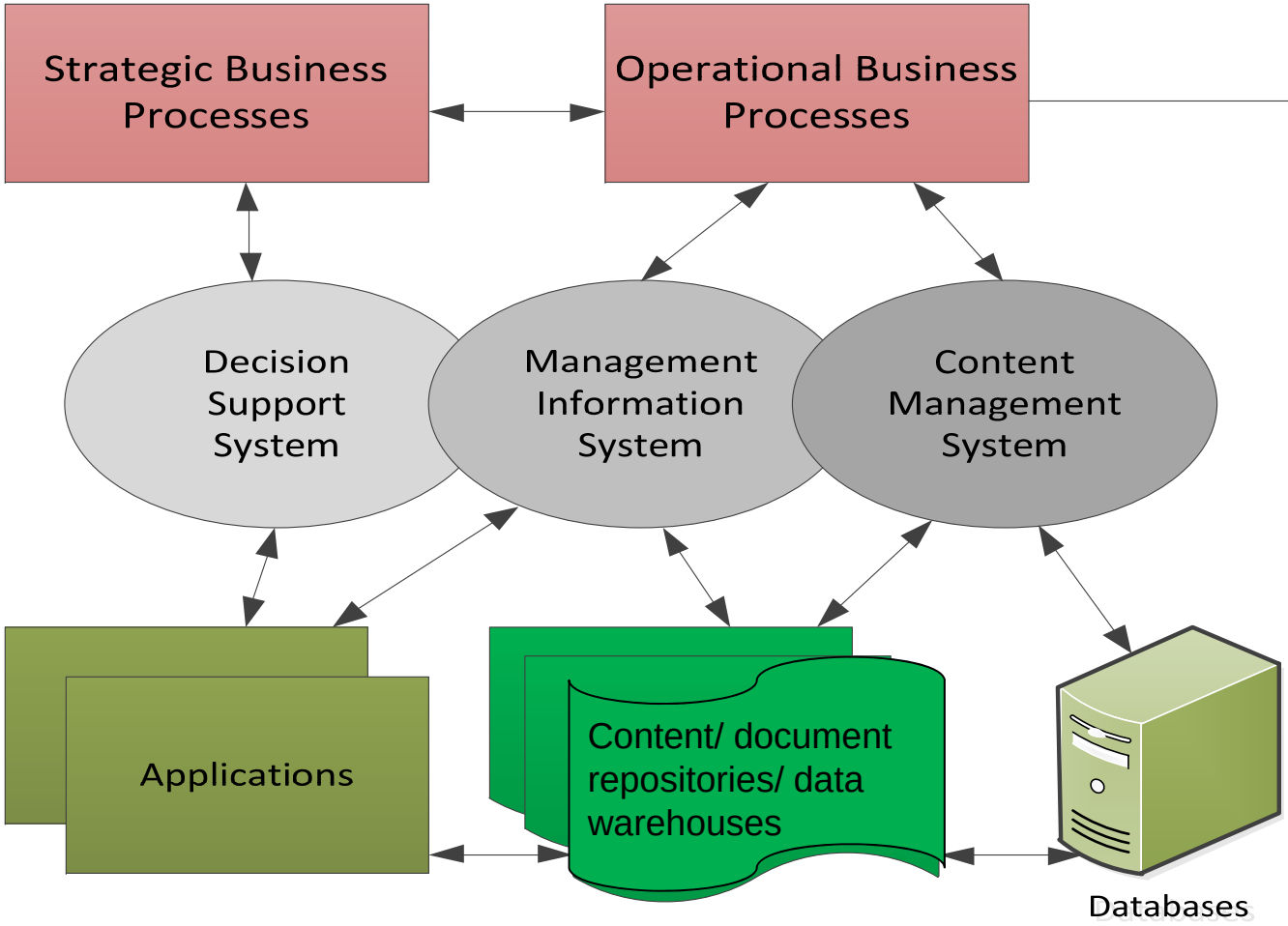
Annexure B:

Technical Specifications

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Complete Information Management System and linkage to business processes



Consider business processes, system functionality and management decision making in a seamless manner **not in isolation**

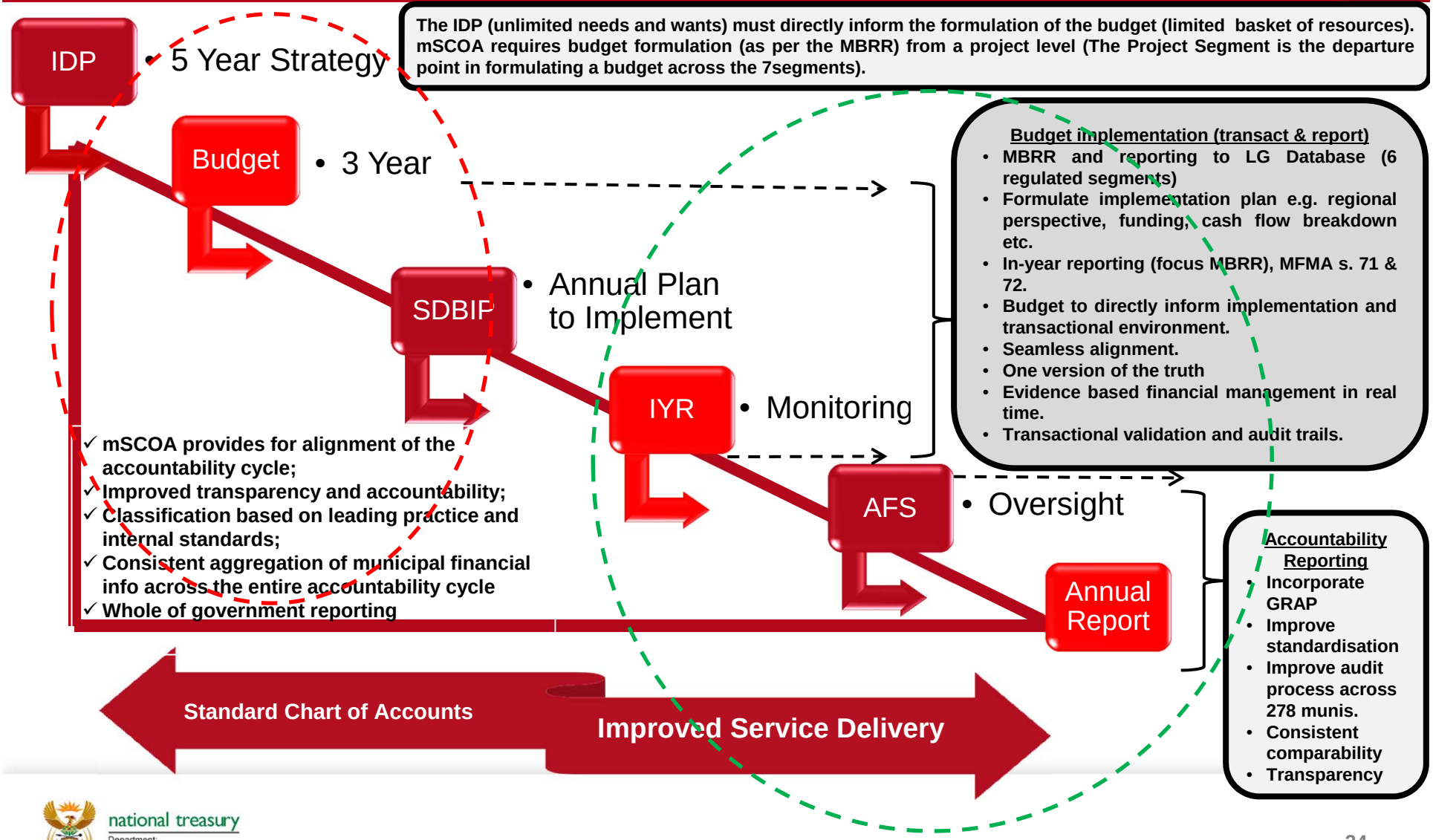
*m*SCOA - gearing systems/ applications to support accountability

*m*SCOA aligned ICT system(s) solutions **as a minimum should** include:[1]:

Ref	System Component
1	**Budget system(s)** (budget planning and preparation) including: ▪ Budget planning/ formulation ▪ Medium Term Revenue and Expenditure Framework (MTREF) (3-year budgeting) ▪ Program-based budgeting and/or performance-informed budgeting (integrate with the IDP and SDBIP)
2	**General ledger** (budget execution) supporting: ▪ Management of budget authorisations/ releases ▪ Commitment of funds ▪ Payment/ revenue management ▪ Cash forecasting and management ▪ Accounting and reporting (includes business intelligence) **Other components** such as: ▪ Debt management ▪ Valuations systems ▪ Procurement/purchasing (includes contract management) ▪ Asset and inventory management ▪ Human resources management and payroll (includes performance management solution)

[1] *Adapted from "Financial Management Information Systems – 25 years of world bank experience on what works and what doesn't" published by the World Bank, 2011*

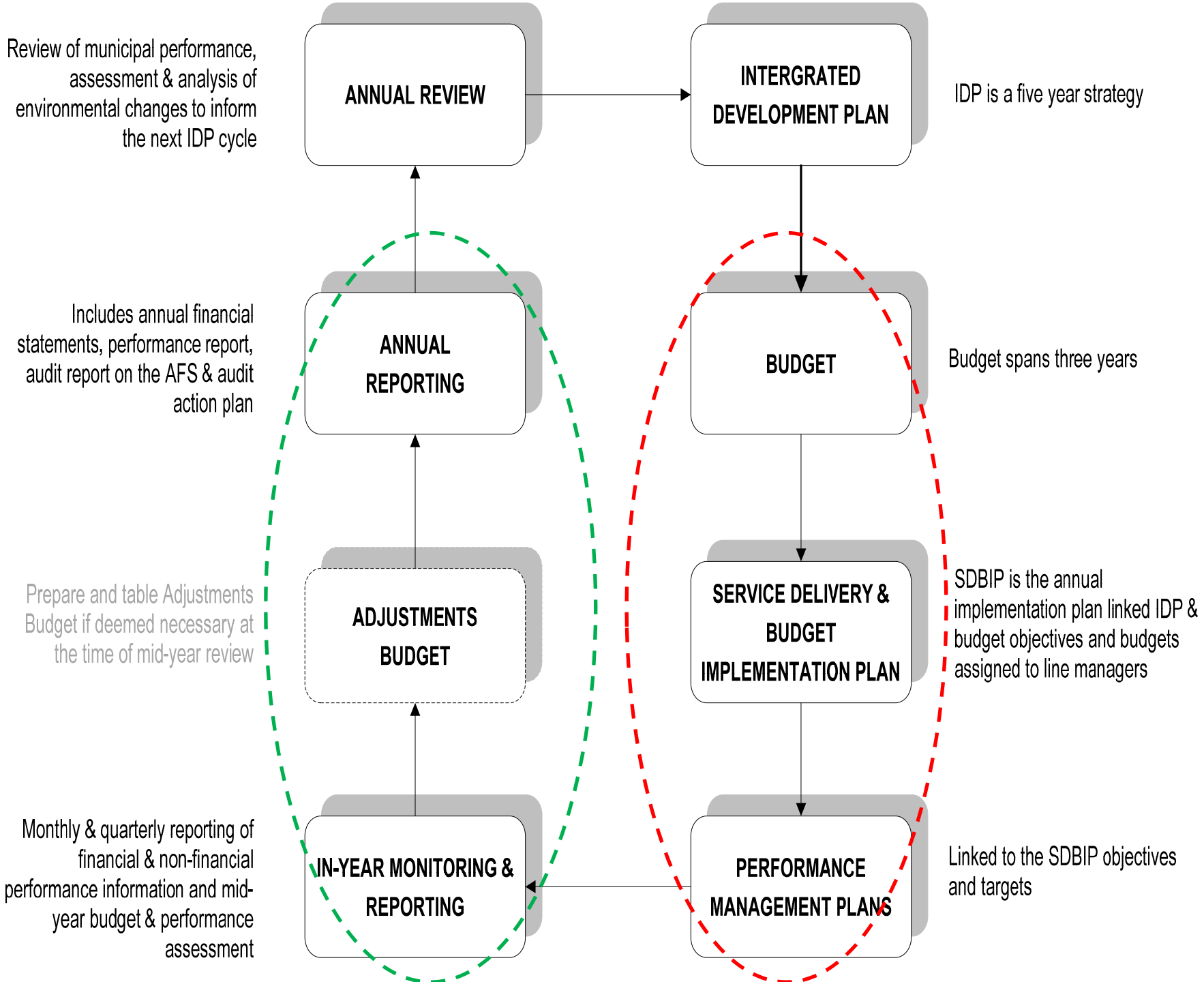
The Local Government Accountability Cycle and *m*SCOA



Align Systems to the Local Government Accounting Cycle

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

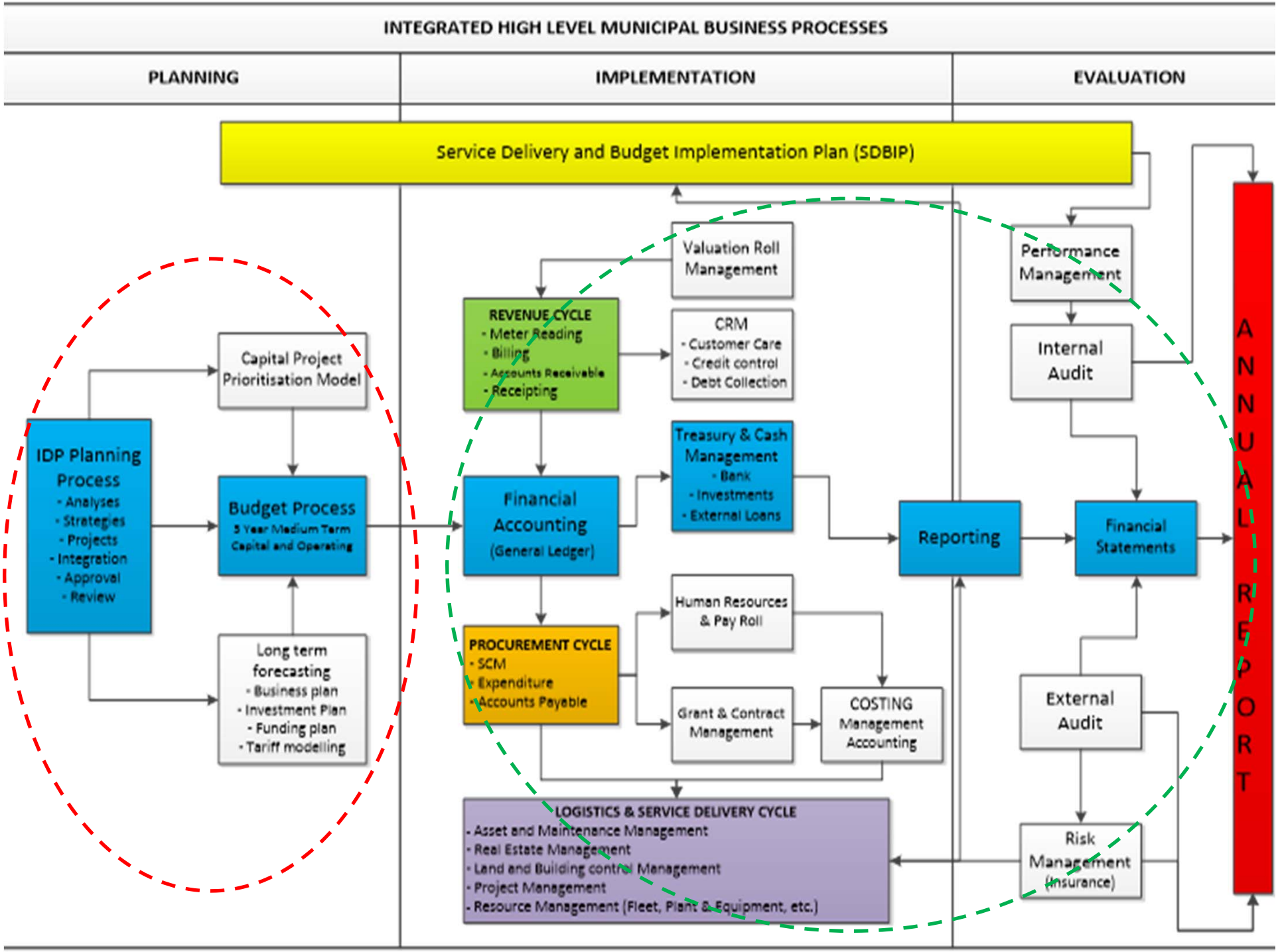

Review of municipal performance, assessment & analysis of environmental changes to inform the next IDP cycle
ANNUAL REVIEW
INTERGRATED DEVELOPMENT PLAN
IDP is a five year strategy
Includes annual financial statements, performance report, audit report on the AFS & audit action plan
ANNUAL REPORTING
BUDGET
Budget spans three years
Prepare and table Adjustments Budget if deemed necessary at the time of mid-year review
ADJUSTMENTS BUDGET
SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN
SDBIP is the annual implementation plan linked IDP & budget objectives and budgets assigned to line managers
Monthly & quarterly reporting of financial & non-financial performance information and mid-year budget & performance assessment
IN-YEAR MONITORING & REPORTING
PERFORMANCE MANAGEMENT PLANS
Linked to the SDBIP objectives and targets

Align Systems to the Local Government Accounting Cycle

original blue print

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA


INTEGRATED HIGH LEVEL MUNICIPAL BUSINESS PROCESSES
PLANNING
IMPLEMENTATION
EVALUATION
Service Delivery and Budget Implementation Plan (SDBIP)
IDP Planning Process
- Analyses
- Strategies
- Projects
- Integration
- Approval
- Review
Capital Project Prioritisation Model
Budget Process
5 Year Medium Term Capital and Operating
Long term forecasting
- Business plan
- Investment Plan
- Funding plan
- Tariff modelling
Valuation Roll Management
REVENUE CYCLE
- Meter Reading
- Billing
- Accounts Receivable
- Receipting
CRM
- Customer Care
- Credit control
- Debt Collection
Treasury & Cash Management
- Bank
- Investments
- External Loans
Financial Accounting
(General Ledger)
PROCUREMENT CYCLE
- SCM
- Expenditure
- Accounts Payable
Human Resources & Pay Roll
Grant & Contract Management
COSTING Management Accounting
LOGISTICS & SERVICE DELIVERY CYCLE
- Asset and Maintenance Management
- Real Estate Management
- Land and Building control Management
- Project Management
- Resource Management (Fleet, Plant & Equipment, etc.)
Reporting
Performance Management
Internal Audit
Financial Statements
External Audit
Risk Management (Insurance)
ANNUAL REPORT

Business Processes (*align to blue print & ultimately to the minimum Specifications*)(1)

There are 15 major, defined, business processes in Local Government:

1. Corporate Governance;
2. Municipal Budgeting, Planning and Modelling;
3. Financial Accounting;
4. Costing and reporting;
5. Project Accounting;
6. Treasury and Cash Management;
7. Procurement Cycle: Supply Chain Management, Expenditure Management, Contract Management and Accounts Payable;

Note – the colours of the business processes correspond to the process circles of the previous 2 diagrams

Business Processes (*align to blue print & ultimately to the minimum Specifications*)(2)

There are 15 major, defined, business processes in Local Government:

8. Grant Management;
9. Full Asset Life Cycle Management including Maintenance Management;
10. Real Estate and Resources Management;
11. Human Resource and Payroll Management;
12. Customer Care, Credit Control and Debt Collection;
13. Valuation Roll Management;
14. Land Use Building Control; and
15. Revenue Cycle Billing.

Annexure C:

Award Process

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Adjudication process

Please note that **there are various stages of adjudication**. If a proposal is not precise in its response it may exclude that vender(s) for adjudication in a subsequent stage e.g.:

I. Documentation and valid certificates;

II. Compliance to the minimum *m*SCOA specification(s).

A proposal must score 100% based on the functional requirement of the municipal category (as contained in the pricing schedule that is linked to the mSCOA technical specifications);

Adjudication process (continued)

III. Functional compliance to the technical specification.

A proposal must score 70%, based on the functional requirement of the municipal category (as contained in the pricing schedule linked to the technical specifications document).

IV. If the proposal is successful in the first stages AND its price achieved due diligence –
Responsive bidders will be invited to demonstrate their offerings to an independent panel of experts.

The NT *m*SCOA project team is excluded from any of these processes to ensure independence throughout the process

Adjudication process – the *m*SCOA indicator.

Any non compliance with *m*SCOA requirements will result in a proposal(s) being non-responsive. ***m*SCOA compliance is indicated by**:

- **Transactional** *(This mean the system enables direct transacting against the 7 mSCOA segments);*
- **Data is derived from attributes** *(This refers to the incorporation of sub system transactions where dimensions contribute to the roll up transaction logic); and*
- **Other Matters** (*This refers to integration requirements, hardware and related matters).*

Some requirements are best practice and not considered as "mSCOA compliance requirements" These are reflected as 'Not Applicable'

"See next slide for example"

Compliance Measurement

and the link between

the Pricing Schedule & System Specifications

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Sub-Process	Legislative or Business Requirement	System / Applications minimum functionality	Required by:	Pricing Schedule Alignment	mSCOA Segments
Revenue	A revenue sub-ledger budget module that as minimum:	Calculate and spread budgets based on current consumption and database history;	Regulation	b5-Revenue sub-system Budgeting Tool	Derived from Attributes
		Measure and flag anomalies of the current database history against alternative information sources such as the Surveyor General (SG), Deeds Office and valuation rolls to ensure completeness of budgeting and actual billing;	Regulation	b5-Revenue sub-system Budgeting Tool	Not Applicable
		Provide functionality for town ship development and populate amounts and consumption on average per type of connection in this development.	Regulation	b5-Revenue sub-system Budgeting Tool	Not Applicable
		Provide for adjustment of distribution losses based on anticipated remedial actions on the sales loss as identified by the water and electricity distribution loss templates. Zero consumption account based on average and type of use tariffs.	Regulation	b5-Revenue sub-system Budgeting Tool	Not Applicable
		Create projected growth and tariff calculations taking into account the provision for bad debt and material losses. (In this regard transacting on the "Regional" segment is crucial for GRAP 104 type calculations);	Regulation	b5-Revenue sub-system Budgeting Tool	Derived from Attributes
		Facilitate and incorporate cost of sales and costing implications to enable cost reflective tariffs;	Regulation	b5-Revenue sub-system Budgeting Tool	Derived from Attributes
		Review of sundry tariffs; and	Regulation	b5-Revenue sub-system Budgeting Tool	Derived from Attributes
		Supply the general ledger's "main budget module"-budgets with the full mSCOA segments as a budget line. It should be able to provide this for revenue, expenditure and balance sheet items.	Regulation	b5-Revenue sub-system Budgeting Tool	Derived from Attributes
HR /Payroll	A Human Resource (HR) budget/ payroll module that as a minimum:	Allow the municipality to budget for its full organogram (organisational structure);	Regulation	b7-HR/Payroll Budgeting tool	Derived from Attributes
		Incorporate the ability to apply costing allocation to projects and percentage (%) based allocation of administration costs to trading service departments if not allocated using direct calculation methods;	Regulation	b7-HR/Payroll Budgeting tool	Derived from Attributes
		Provision to calculate new notch values within grades either as a percentage increase or by minimum value. These notch values are to be held on a temporary file and the user must be able to perform Various "what if" scenarios without affecting the live data	Regulation	b7-HR/Payroll Budgeting tool	Not Applicable

Modules required to be available separately

Requirement for Municipal Category Indication relates to the system functionality and not the legislative requirements. Required / Optional		Function Group	CATEGORY B4 onsite	Indicate if available in Core, 3rd Party or Not Available: In-house	3rd party	Not available
	B4		**Classification modules**			
			Ancillary Costs			
	R		Hardware requirement			
			Breakdown of system offering:			
		A	**Chart of Accounts**			
	R	a1	General Ledger - containing mSCOA as per regulation			
		B	**IDP / Budget**			
	R	b1	Integrated development plan (IDP) maintenance			
	R	b2	Budget module – Directly linked and informed from the IDP and Project driven and mSCOA segmented			
	R	b7	HR/Payroll budgeting tool			

Not required for B4 Municipality

Based on Category (B4) municipality the B6 is not a specification requirement.
Thus for a small rural municipality a revenue budget module is optional and **would not** disqualify vendors that don't have the functionality.
However B7 is a requirement and **will disqualify** if not available.

Functional Calculation Scenario's

NB: Where there is not an *m*SCOA specific requirement, the accounting cycle may still require to be accommodated. This functionality is then measured with a 70% compliance requirement:

Required By:	**Weight**
Regulation	2
Legislation	2
Best Practice	1

Multiplied by answer provided in proposal:

Answer provided:	**Weight**
Comply - Demo Available	4
3rd Party Integration	4
"POC available(Production version by 1 July 2017)"	2
"Future Development (POC by December 2016)"	1
Not Available	0

Functional Calculation Scenario's (2)

The Special conditions pointing scale is therefore arrived by actual answer divided by Factor:

Factors:

Legislative = 8

Best Practice = 4

Optional = 0 **(Optional is therefore not measured)**

1) Regulation (2) X Comply (4) = 8 ÷ 8 X 10 = 10

2) Best Practice (1) X Comply (4) = 4 ÷ 4 X 10 = 10

3) Regulation (2) X POC (2) = 4 ÷ 8 X 10 = 5

Etc….

Secure Data Requirement

Municipal Sensitive information must be protected in line with the Minimum Information Security Standards (**MISS**) document *(This is the national information security policy and was approved by Cabinet 4 Dec 1996) . Municipality's are required to adhere to this standard, thus* ***it is a specific requirement.***

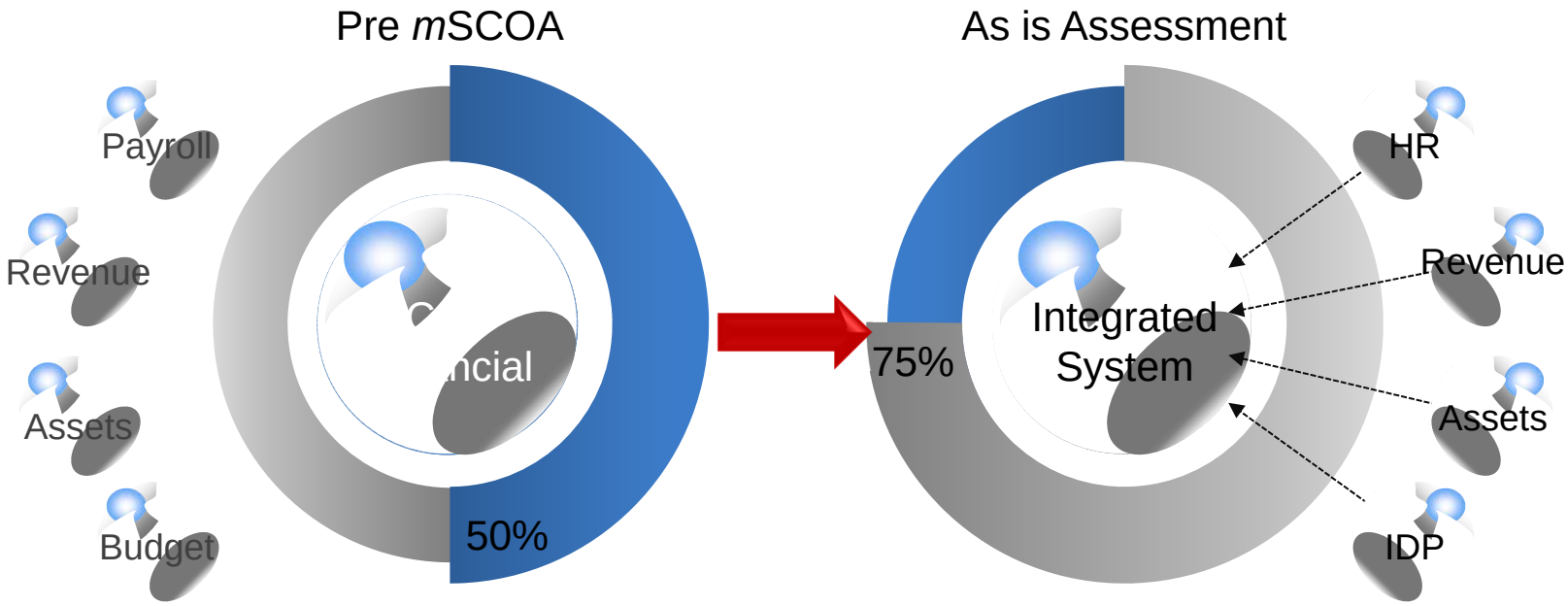
Public sensitive information must be protected in terms of the Protection of Public information Act **(POPI).**
Proposals must demonstrate compliance to the POPI Act and any service provider will be liable for any failure to protect data in terms of the proposed ***Service Level Agreement*** *with the municipality.*

Composition of the Bid Evaluation Committee

Composition of the Bid Evaluation Committee:

Chairperson: OCPO;
CD: LGBA;
CD: Accounting Service;
CD: Budget Office;
SALGA;
DCoG;
SITA;
Two provincial treasuries; and
*m*SCOA competent representatives across the selection of pilot municipalities **(**Metropolitan-, Secondary City, Local and District municipalities).

*m*SCOA objectives, business process and system requirements – evolutionary process



Limited system integration
Silo environment resulting in consistent reporting

System integration
Great strides towards total integration and seamless reporting

Technical Evaluation

- Successful bidders (70% functional match) will be required to demonstrate their offering taking into account their responses on the technical specification sheet.

- The demonstration is live (and not a PowerPoint presentation).

- Bidders will be given scenario's to be shown, based on their responses and these should be done on the solution in a test (live) environment.

- Only bidders that past this last barrier will be after due diligence move forward to the negotiation phase.

Bidders' to note that amendments to any of the Bid Conditions by bidders may result in the invalidation of such bids

QUESTIONS?

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA